

USAID/Laos

Annual Report

FY 2005

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Laos

Performance:

Background: Laos is one of the few remaining official communist states. The country's economy remains hampered by inadequate infrastructure and health and education services to support its workforce and population. While the government's stated intention is to decentralize control and encourage private enterprise, the transition from a centrally-planned and controlled economy to a more market-driven one is moving very slowly. The government recognizes that it needs considerable technical assistance, training, and donor and private sector investment if it is to modernize its economy and address critical health, education, and employment generation issues. Reforms underway in Vietnam may encourage Laos to undertake changes, including improving its human rights record, to attract outside support. The continuation of reforms in Vietnam and the increasing availability of Thai broadcasting may create greater incentives for the regime to undertake necessary reforms.

Laos is one of the poorest and least developed countries in East Asia. A recent World Bank economic report in 2003 estimated that Laos' 5.7 million people had a per capita income of just \$320. Agriculture remains the economic mainstay, contributing 49% of the Gross Domestic Product. Social indicators in Laos, among the worst in the world, are comparable to those of sub-Saharan Africa; e.g. infant mortality in Laos remains to be 87 per 1000 births in 2002, compared with an average of 92 in Sub-Saharan Africa and life expectancy in Laos is 54.5 years according to 2002 reports. Available data indicates that Laos currently has a low level of HIV/AIDS. However, systematic and nationwide surveillance for HIV is not yet in place, so the future course of the epidemic is uncertain. With Laos surrounded by countries such as China, Thailand, and Vietnam that have significant numbers of HIV infections and with the current levels of international migration, it is very likely that the epidemic will continue to spread in Laos in the absence of appropriate interventions. A significant HIV epidemic would have a serious impact on development efforts in Laos.

U.S. Interests and Goals: USAID's program under the economic development strategic objective includes: (1) development of a viable economic alternative to opium production, (2) reduction of impact from UXO accidents, and (3) strengthening inclusive education at both the policy and classroom levels to ensure attendance and achievement of children with disabilities in school.

The long-term U.S. interest is to encourage a transition to representative government with a significantly improved human rights record and a viable, market-based economy. The United States also has a humanitarian interest in addressing the effects of the country's extreme poverty by providing assistance to improve health and generate income in rural areas. The aim is to help the impoverished people of Laos without helping or lending credence to the one-party Communist regime. Crop substitution programs, particularly those involving sericulture, serve the dual purpose of poverty reduction and alleviating opium poppy. Additional support provided to children with disabilities is also crucial in order to ensure social equity to vulnerable groups in Laos. Increased support of UXO clearance for the years ahead not only reduces the human toll of deaths and injuries from explosions, but also contributes to poverty reduction by making more land available for farming and new infrastructure.

Donor Relations: Donor coordination is uneven in Laos. Main bilateral donors include Japan, Germany, Sweden, France, Australia, and Norway. Bilateral donor efforts focus primarily on education, health, income generation, rural development and environment. The World Bank and the Asian Development Bank work on poverty reduction, agriculture, natural resources management, rural energy, environment, transportation, communications, and social infrastructure. They also provide assistance to the financial sector and state-owned enterprise reforms needed to create an enabling environment for private sector development.

Challenges: Challenges seen in FY 2004 has been the slow and bureaucratic system of the Lao government in an approval of a Memorandum of Understanding with new international organizations seeking to implement activities in the country. This has resulted in the delay of project implementation and the delay in USAID's responsiveness to the education needs of children with disabilities.

Key Achievements: FY 2004 was a year of good progress for the USAID program in Laos. The mission has built on lessons learned through implementations and has provided further support to projects that will return larger impacts which will help improve income and livelihoods of the people in the country.

1. Increased Private Sector Growth: The Lao Economic Acceleration Program for the Silk Sector (LEAPSS) has been working to enhance the livelihoods of rural families in northern Laos through the extension of silk production (sericulture) as an income generation activity. LEAPSS originally worked with 12 target villages in 6 districts in Xieng Khouang and Huaphan provinces in northern Laos, but is now assisting close to 900 families (or over 5,000 beneficiaries) in eight districts of the two target provinces. LEAPSS Handicraft Fairs started in 2001, has brought producers and buyers together to discuss quality control issues and future marketing channels. This has resulted in product quality improvement, market expansion and increased income of local producers. LEAPSS has also offered an economically viable alternative to opium through silk cultivation and production for the ethnic highland groups in the areas where the project is being implemented.

2. Improve the Quality of Basic Education: The Inclusive Education Project was funded by USAID in September 2003 in order to respond to needs of children with disabilities. The project aims to strengthen inclusive education in Laos at both the policy and classroom levels to ensure that all children with disabilities in Laos are able to attend and achieve in school. During this reporting period, field implementation has not taken place as extended time is required by the Government of Laos to approve the Memorandum of Understanding with Catholic Relief Services. Nevertheless, CRS will continue to work with the Lao Ministry of Education with intervention from USAID and the U.S. Embassy in Laos, to finalize and sign the Memorandum of Understanding, and establish the office structure and administrative and finance systems in Vientiane. Once the Memorandum is signed, establishment of the project steering committee will be initiated; members will consist of Ministry of Education key officials, University Professors, administrators of education programs from each target province and parents of children who experience disabilities.

3. Provide Emergency Assistance: The Lao UXO Project aims to reduce and prevent accidents to children and their families caused by UXO left from the Vietnam War. The UXO education activities first started in 1999 with over 3 districts are now conducted in 25 Districts in 8 Provinces for 1072 schools, 3045 teachers, and 99,066 students including Houa Phan, Xieng Khouang, Savannakhet, Salavan, Luang Phabang, Sekong, Attapeu and Champasak. Capacity building of government education officials and teachers has been an important part of the work with project management in order to deliver UXO awareness education to students and communities and work toward long-term sustainability. Teachers in all five primary grades and Multi-grade classes are provided with model lessons developed from activity-based and student-centered instructional approaches. Additionally, officials from the Ministry of Education from 19 districts had participated in the administrative and curriculum/ instruction workshops.

The UXO medical component aiming to improve medical care and management systems has been implemented in Xieng Khouang, Huaphan, Salavane and Champassak Province. The activities are supported by the War Victims Medical Fund which provides treatment costs for acute medical care. The project supports training in surgery, emergency medicine, nursing technique and associated diagnostic areas. It also supports the establishment of a province training network so that training and follow-up can be done within the provincial and district hospitals. Management capacity of Lao medical officials in the Department of Health has increased which has resulted in improved quality of medical care in which postoperative infection rate has decreased and the length of hospital stay was reduced.

Results Framework

- 439-001 War Victims and Displaced Children**
- 439-002 Laos Economic Acceleration Program for the Silk Sector**
- 439-004 Economic Development**
- 439-005 Strengthen the Laos National Response to HIV/AIDS**
- 439-XXX 498-022 ANE Regional - Stabilize Population Growth and Protect Human Health**